

**2007 DRAFTING REQUEST**

**Bill**

Received: **12/06/2006**

Received By: **mshovers**

Wanted: **As time permits**

Identical to LRB:

For: **David Travis (608) 266-5340**

By/Representing: **Nancy**

This file may be shown to any legislator: **NO**

Drafter: **mshovers**

May Contact:

Addl. Drafters:

Subject: **Tax, Individual - dedct/sbtrct**

Extra Copies:

Submit via email: **YES**

Requester's email: **Rep.Travis@legis.wisconsin.gov**

Carbon copy (CC:) to:

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**Pre Topic:**

No specific pre topic given

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**Topic:**

Individual income tax deduction for certain retirement income

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**Instructions:**

Allow retirement income deduction. Max. deduction of \$20,000/yr/indiv. at least 62 years old; phase in over 8 years, starting in FY 2008. Only certain retirement income is eligible for the deduction -- see attached.

---

**Drafting History:**

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	mshovers 12/06/2006	jdye 12/29/2006		_____			State Tax
/1			pgreensl 12/29/2006	_____	sbasford 12/29/2006	sbasford 01/02/2007	

FE Sent For:

*at inter*  
*2/12*

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Drafter: mshovers

May Contact:

Addl. Drafters: rchampag

Subject: Tax, Individual - dedct/sbtret

Extra Copies: RAC

Submit via email: YES

Requester's email: Rep.Travis@legis.wisconsin.gov

Carbon copy (CC:) to:

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1/?	mshovers	1/12/29 jw	12/29 ps	12/29 ps			
1/1 MES	12/6/06						

FE Sent For:

<END>

## Shovers, Marc

**From:** Shovers, Marc  
**Sent:** Tuesday, December 05, 2006 2:49 PM  
**To:** Bills, Nancy  
**Subject:** RE: Drafting Request from Representative Dave Travis

- incl only  
"qualified" plans

That's fine.

Marc

12/6/06 : Nancy said:  
1) both spouses may claim, if eligible  
2) phase in over 8 years @ \$2,500/yr.

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**From:** Bills, Nancy  
**Sent:** Tuesday, December 05, 2006 2:49 PM  
**To:** Shovers, Marc  
**Subject:** RE: Drafting Request from Representative Dave Travis

Dave asked me to check something for him before responding and the person is out today.  
So, if it is ok, I'll get back to you in the morning.  
Thanks

Nancy Bills

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**From:** Shovers, Marc  
**Sent:** Tuesday, December 05, 2006 1:37 PM  
**To:** Bills, Nancy  
**Subject:** RE: Drafting Request from Representative Dave Travis

Hi Nancy:

I'm not sure I understand what you want. The instructions state that you want a maximum exemption of \$20,000 after a 6 year phase in, which would mean that a taxpayer would be able to exempt \$3,333.33 of retirement income from his or her taxable income in 2008, \$6,666.66 in 2009, \$9,999.99 in 2010, etc., but the instructions also say that the maximum exemption should be \$2,500. Do you want the exemption to phase in over 8 years, increasing \$2,500 each year, or do you want it phase in at a staggered rate over 6 years? Also, if both spouses have retirement income, do you want the exemption to be available to both spouses? Thanks.

Marc

Marc E. Shovers

Senior Legislative Attorney  
Legislative Reference Bureau  
Phone: (608) 266-0129  
Fax: (608) 264-8522  
e-mail: marc.shovers@legis.state.wi.us

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**From:** Bills, Nancy  
**Sent:** Monday, December 04, 2006 3:43 PM  
**To:** Shovers, Marc  
**Subject:** Drafting Request from Representative Dave Travis

December 4, 2006

Marc --

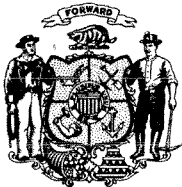
Representative Travis would like to request a bill draft that would:

Exempt retirement income up to \$20,000 annually from state income tax. Retirement income includes a qualified retirement plan for federal tax purposes, profit-sharing plans, stock bonus plans, deferred compensation plans, self-employed plans, tax-sheltered annuities and individual retirement accounts. The exempt would be phased in over six years, beginning in 2008 with a maximum allowable exemption of \$2,500 for individuals 62 years of age and older.

Any questions, please call me at 266-5340.

Thanks

Nancy Bills  
Office of State Rep. Dave Travis



State of Wisconsin  
2007 - 2008 LEGISLATURE

LRB-1041/2

MES&RAC

jld RMR

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

gen

- 1 AN ACT ...; **relating to:** exempting from taxation retirement plan income received  
2 by an individual. ✓

*Analysis by the Legislative Reference Bureau*

Under current law, the pension benefits of certain public employees are exempt from state taxation. The pensions that are exempt include payments received from the U.S. civil service retirement system, the U.S. military employee retirement system, the Milwaukee city and county retirement systems, the Police Officer's Annuity and Benefit Fund of Milwaukee, the Milwaukee Public School Teachers' Retirement Fund, the Wisconsin State Teachers' Retirement Fund, and the Sheriff's Annuity and Benefit Fund of Milwaukee County. For most of these pension plans, the exemption applies only to persons who were members of or retired from the plans as of December 31, 1963, although this limitation does not apply to retirement payments received from the U.S. military employee retirement system or from payments received from the U.S. government that relate to service with the U.S. Coast Guard, the commissioned corps of the National Oceanic and Atmospheric Administration, or the commissioned corps of the U.S. Public Health Service.

This bill exempts from taxation certain amounts of payments or distributions received each year by an individual, who is at least 62 years old, from a qualified retirement plan under the Internal Revenue Code (IRC), if such payments are not already exempt from taxation. Under the IRC, "qualified" plans include certain pension plans, profit-sharing plans, money purchase plans, stock bonus plans, annuity plans, 401 (k) plans, Keogh plans, SIMPLE plans, government or 457 plans, and individual retirement accounts. IRAs

individual retirement account

a traditional (IRA) a Roth IRA  
OR comma

The bill first applies to taxable year 2008, and the maximum allowable exemption is \$2,500. The exemption amount increases \$2,500 each year for 8 years so that in 2015 and thereafter, the maximum exemption is \$20,000. \*

Because this bill relates to an exemption from state or local taxes, it may be referred to the Joint Survey Committee on Tax Exemptions for a report to be printed as an appendix to the bill.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

***The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:***

SECTION 1. 71.05 (1) (ae) of the statutes is created to read:

71.05 (1) (ae) *Pension/income*. Except for a payment that is exempt under par. (a), (am), or (an), or that is exempt as a railroad retirement benefit, one of the following amounts of payments or distributions received each year by an individual, who is at least 62 years of age before the close of the taxable year to which the exemption claim relates, from a qualified retirement plan under the Internal Revenue Code: *or from an individual retirement account established under 26 USC 408 or 26 USC 408A*

1. For taxable years beginning after December 31, 2007, and before January 1, 2009, \$2,500.

2. For taxable years beginning after December 31, 2008, and before January 1, 2010, \$5,000.

3. For taxable years beginning after December 31, 2009, and before January 1, 2011, \$7,500.

4. For taxable years beginning after December 31, 2010, and before January 1, 2012, \$10,000.

5. For taxable years beginning after December 31, 2011, and before January 1, 2013, \$12,500.

6. For taxable years beginning after December 31, 2012,<sup>✓</sup> and before January 1, 2014,<sup>✓</sup> \$15,000.

7. For taxable years beginning after December 31, 2013,<sup>✓</sup> and before January 1, 2015, \$17,500.<sup>✓</sup>

8. For taxable years beginning after December 31, 2014,<sup>✓</sup> \$20,000.

**SECTION 2.**<sup>✗</sup> 71.05 (1) (am) of the statutes is amended to read:

71.05 (1) (am) *Military retirement systems*. All retirement payments received from the U.S. military employee retirement system, to the extent that such payments are not exempt under par. (a) or (ae).<sup>✓</sup>

**SECTION 3.**<sup>✗</sup> 71.05 (1) (an) of the statutes is amended to read:

71.05 (1) (an) *Uniformed services retirement benefits*. All retirement payments received from the U.S. government that relate to service with the coast guard, the commissioned corps of the national oceanic and atmospheric administration, or the commissioned corps of the public health service, to the extent that such payments are not exempt under par. (a), (ae),<sup>✓</sup> or (am).

**SECTION 4.**<sup>✗</sup> 71.05 (6) (b) 4. of the statutes is amended to read:

71.05 (6) (b) 4. Disability payments other than disability payments that are paid from a retirement plan, the payments from which are exempt under sub. (1) (ae), (am) and (an),<sup>2</sup> if the individual either is single or is married and files a joint return, to the extent those payments are excludable under section 105 (d) of the internal revenue code Internal Revenue Code,<sup>✓</sup> as it existed immediately prior to its repeal in 1983 by section 122 (b) of P.L. 98-21, except that if an individual is divorced during the taxable year that individual may subtract an amount only if that person is disabled and the amount that may be subtracted then is \$100 for each week that payments are received or the amount of disability pay reported as income, whichever



1 is less. If the exclusion under this subdivision is claimed on a joint return and only  
2 one of the spouses is disabled, the maximum exclusion is \$100 for each week that  
3 payments are received or the amount of disability pay reported as income, whichever  
4 is less.

5 **SECTION 5.** 71.83 (1) (a) 6.<sup>x</sup> of the statutes is amended to read:

6 71.83 (1) (a) 6. 'Retirement plans.' Any natural person who is liable for a  
7 penalty for federal income tax purposes under section 72 (m) (5), (q), (t), and (v), 4973,  
8 4974, 4975, or 4980A of the ~~internal revenue code~~ Internal Revenue Code<sup>✓</sup> is liable  
9 for 33% of the federal penalty unless the income received is exempt from taxation  
10 under s. 71.05 (1) (a)<sup>✓</sup> or (ae). The penalties provided under this subdivision shall be  
11 assessed, levied, and collected in the same manner as income or franchise taxes.

12 **SECTION 6. Initial applicability.**

13 (1) This act first applies to taxable years beginning on January 1, 2008.<sup>✓</sup>

14 (END)

## **Basford, Sarah**

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**From:** Bills, Nancy  
**Sent:** Tuesday, January 02, 2007 10:28 AM  
**To:** Basford, Sarah  
**Subject:** Please jacket LRB 1041/1 for the Assembly Thanks Representative Dave Travis